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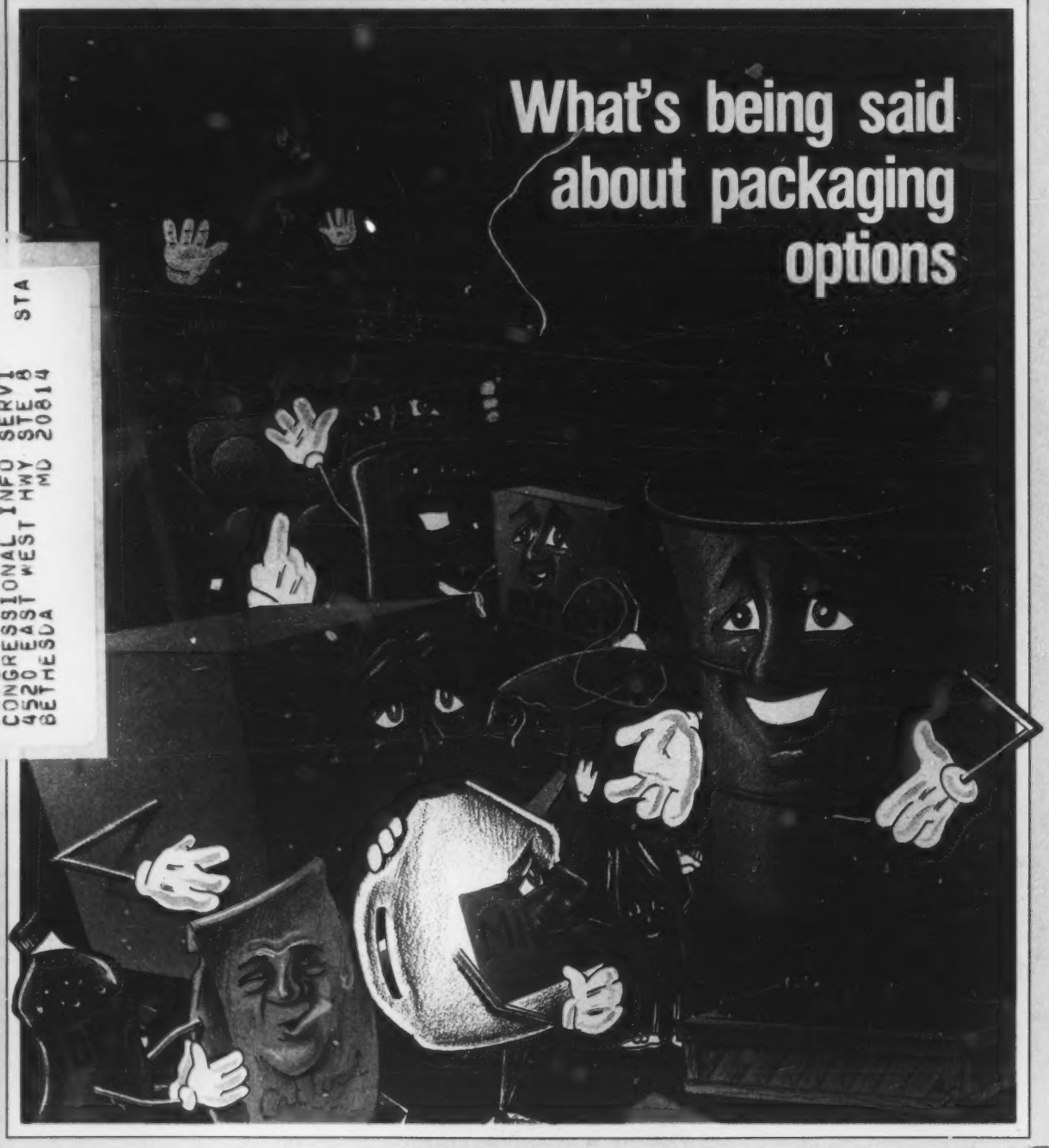
PurchasingWorld®

THE BUYER'S MAGAZINE NOVEMBER 1988



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Plastics boom may strain capacity

Fighting an unfair price increase • Air freight comes of age

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Cover Illustration and Design by Andy Shive.

PurchasingWorld

Airborne Express extends tracking to Far East

On-line freight tracking is now being accorded in Far East, Australia and New Zealand to users of Airborne Express. Airborne's customers will now have immediate access to the status of any Airborne shipment worldwide.

"We see expansion of FOCUS (Freight online control and update system) to the Pacific Rim as an important improvement in service to the importers and exporters who have to know where their shipments are at any time." *Airborne Express.*

NAPM's electronic group officers are elected for two-year terms

Linn E. Nelson, Synektron Corp., Portland, OR, has recently been elected chairman of the Electronic Purchasing Group of the National Association of Purchasing Management. This group has grown over 40% per year since 1986 and now numbers nearly 2,500 members.

Other officers of the electronics group are: vice chairman, Russ Boyd C.P.M., Johnson Controls, Carrollton, TX; treasurer, Lisa K. Martin C.P.M., NBC, Burbank, CA; executive director, Robert J. Nahabit, Nahabit & Associates, Valencia, CA; education/public relations, L. Wayne Riley C.P.M., Intel Corp., Phoenix; secretary/membership, Lisa Monahan C.P.M., Rockwell International, Duluth, GA; and program manager, Dan Bonker, Tektronix, Vancouver, WA.

The electronics group will stage its second annual purchasing conference March 1-3 in Dallas. *NAPM Electronic Purchasing Group.* **Circle 103**

Duro-Test provides '800' line for PMs

Duro-Test Corp., manufacturer of energy-saving, premium-life, and specialty light bulbs designed especially for commercial and industrial applications, has installed a toll-free number for product information, direct ordering, and customer service. The number is 800-BUY-DURO (289-3876). *Duro-Test Corp.*

Laser printer labels make in-house mailings fast

Labels that feed automatically through a laser printer, making the creation of mailing and shipping labels fast and economical, are available from Avery Consumer Products Division. These laser printer labels are mounted on a specially formulated paperstock, and are geared to withstand the intense heat generated in a laser printer.

"Other labels on the market have to be fed manually through laser printers, one sheet at a time," explains Frank Rexach, product manager for Avery Laser Supplies. "Ours feed automatically and with Avery laser printer labels there's no risk of damaging your printer."

You can use Avery's laser printer labels to produce bar code labels, shipping labels, file folder labels, or any other custom label designs in-house. *Avery Consumer Products Division.* **Circle 80**

Guide compares "White Glove" truck service to van line and air freight alternatives

Roberts Express' White Glove Division serves as an alternative to van lines or air freight for high value industrial products, radioactive shipments, government freight, and trade show exhibits. What the White Glove Division has to offer in services, and how it compares in cost to others is detailed in a six-page service guide and cost comparator.

All equipment has air-ride suspension and pad-wrap capabilities. Pickups are made on the day of the request or by precise appointment. Guaranteed delivery service is available. *Roberts Express, Inc.* **Circle 107**

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by Robert S. Reichard, executive editor

Inflationary fears disappearing

Fears of sharply accelerating inflationary pressures over the next few quarters are fast disappearing.

The improving outlook, in large part, stems from the fact that demand gains are beginning to slow down a bit. New forecasts suggest that next year's industrial production advance will come to only around 2.5%—less than half this year's estimated spurt.

This respite stems in part from more cautious consumer buying. Autos are a case in point—with new sales expected to drop by nearly 5%—from 10.7 million units in 1988 to only 10.2 million in 1989.

These decelerating demand increases will be occurring at a time when new factory capacity is being readied to hit the market. Most forecasts in this area are calling for a 5% or higher increase in industrial potential over the next year or so. Superimpose this on the 2.5% increase in industrial production that is being projected and the conclusion is clear: Factory utilization rates will begin to level off and perhaps even decline a bit as 1989 wears on.

This improving supply-demand situation should give buyers somewhat more bargaining leverage in new contract negotiations. Certainly metals will be in better balance—with steel, aluminum, and copper producers hard pressed to maintain their current asking prices.

Overall availability may already be improving. "Fewer items are in short supply and fewer items are going up in price," observes Pitney Bowes' Robert J. Bretz, head of the NAPM Business Survey Committee. On the price front, only 47% of responding purchasing managers now report higher prices. True, this is still high. But it is not nearly as high as in the previous three months when an average of over 50% of the respondents were reporting price increases.

But improving market balance is not the only reason for today's increasing optimism about limiting future price increases. Certainly the recent tumble in crude petroleum quotes can't be ignored. While it's hard to predict the future trend in oil prices with complete certainty (given the vagaries of the OPEC cartel), overall tags look to remain well under the levels prevailing over the past few years.

Point to keep in mind: *Oil sparked all the inflationary spirals of the past decade. And conversely—when oil simmered down, so did prices.*

Finally a few words on the wage front. A new Bureau of National Affairs survey on labor negotiations suggests 1989 union pay hikes of something under 4% a year—hardly the sign of accelerating inflationary pressures.

If you subtract a few percentage points for productivity offset, the overall labor cost impact is likely to be considerably less than 4%.

Leasing becoming popular

Leasing of equipment is becoming an increasingly attractive alternative to outright purchase.

That's the key finding of the latest annual survey of the American Association of Equipment Lessors (AAEL). Based on a sample of one-third of the industry, the study finds respondents shelling out $33 billion for new equipment last year. AAEL executives say this probably means that the all-industry total was approaching the $95 billion mark.

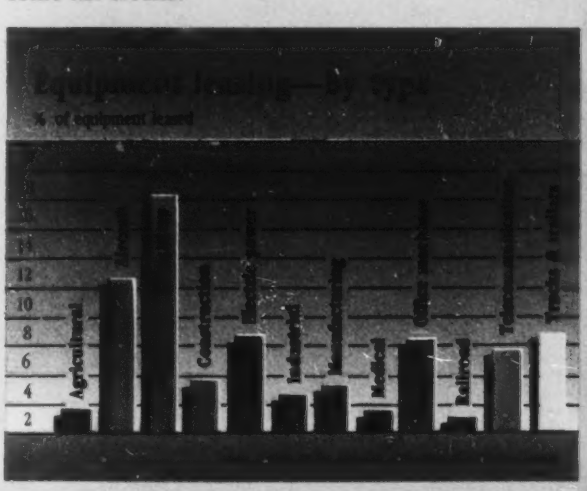
And for this year, the group is predicting totals will reach the $100 billion level—with next year even higher. How much higher will depend on how fast the economy grows. Putting all this into perspective, AAEL estimates that between 25 and 30% of all equipment ordered in the U.S. today is leased.

Biggest leasing markets are in the business equipment sector. Based on the new study, some 18.2% of all leasing is earmarked for computers. Add in other office machines (8.2%), and telecommunications (7.8%), and business equipment accounts for more than one-third of all leasing activity.

AAEL notes that the operating or short-term lease (where the lessee acquires the equipment for just a fraction of its useful life) is now predominantly used in computer leases.

But aircraft buyers are also getting into the act. Short-term pacts now make up 14.4% of all aircraft leases. That's up significantly from the 8.1% short-term share of just a year earlier. One probable reason: These short-term leases offer a good hedge against obsolescence.

On the other hand, there is now less growth in leveraged leasing due to recently lowered tax rates and loss of some tax credits.



Aluminum operations at full capacity

Market ingot continues to go for over $1/lb as U.S. facilities operate at virtually full capacity. Little further increase is seen here—though fabricated flat-rolled products are continuing to edge higher. As for longer pull—price volatility should persist as traders, speculators, toll smelters, and commodity exchanges all exert an influence.

Steel price picture mixed

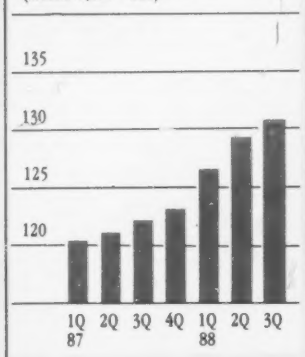
A mixed price picture here. Non-oriented electrical sheets are moving up an average of 6% in January. Some discounts on these products could also be reduced or eliminated. Service center transaction prices on hot-rolled carbon sheet in the Midwest and Northeast have dropped about $30/ton over the past few months and are now in the $390-405/ton range. Service centers also report some easing in cold-rolled and coated sheet.

Paper prices march ahead

Prices continue to advance. Latest increases: 1) A $25/metric ton boost (to $760/ton) in northern bleached softwood kraft, 2) a $50/ton advance in uncoated free-sheet offset papers and $40/ton on cut-size papers, 3) a similar $50/ton boost on forms bond, and 4) a $45/metric ton hike in newsprint. The latter, scheduled for early next year, could be in trouble as inventories mount and retail advertising demand takes a breather. Chances of this boost are only 50-50.

Paper & allied products

(Index: 1982 = 100)



Lead stays firm for 4Q

Look for the heavy metal to remain firm as the battery season moves into high gear. Another bullish factor: Still-falling producer inventories. This has forced some producers to run 1-2 weeks behind on schedules. It's no surprise that prices have moved up into the 38-40¢/lb range—some 4-6¢/lb above the early 1988 low. On a rosier note for buyers, global supply seems to be catching up with demand, so significant near-term price hikes are not too likely. Some market softness may well develop early next year when seasonal buying traditionally drops off.

Breather coming in semiconductors?

The booming semiconductor industry may be heading for a breather.

New Semiconductor Industry Association (SIA) projections tell the story. Worldwide shipments are expected to show only about a 10% advance in 1989—far under the 38% increase estimated for the rest of 1988.

And by 1990, a small actual decline (something in the order of 3%) is anticipated. On the other hand, a modest 14.5% recovery is seen for 1991—the last year of the new SIA forecast.

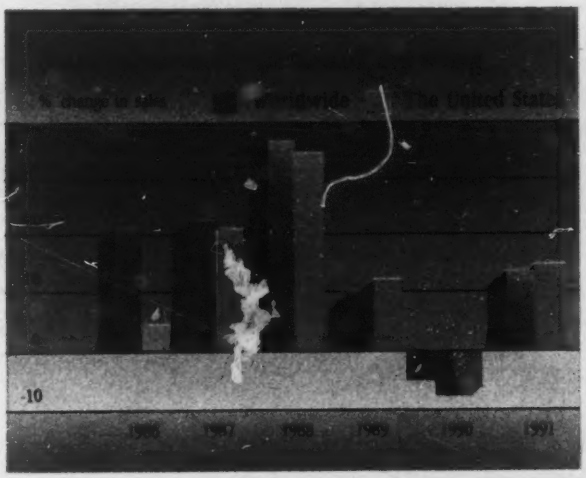
The figures for the U. S. viewed separately show a similar trend, up 35% this year and only 12% in 1989. The following two years for the U.S. also mirror the world trend—with sales expected to drop 6.5% in 1990 before moving up about 15% in 1991.

Coming back to the world demand, an SIA spokesman notes that this year's numbers show extraordinary growth in segments like CMOS microprocessors and CMOS memory devices.

As for the upcoming slowdown, this same analyst attributes it to a pause in both the big computer and personal computer markets, adding that the industry is already starting to see reduced bookings for a number of devices earmarked for the computer sector.

But whatever the overall trend, CMOS logic devices should continue to outperform the market. Fueled by growth in application specific integrated circuits (ASICs) and microprocessors, sales in this area jumped 62% (to $9.9 billion) this year. Increases of 23, 4 and 27% are seen for 1989, 1990 and 1991, respectively.

To put this growth in perspective: The combination of CMOS logic and memory products accounted for only 24% of total solid state shipments in 1987. By 1991 this combination will constitute nearly half of such billings.



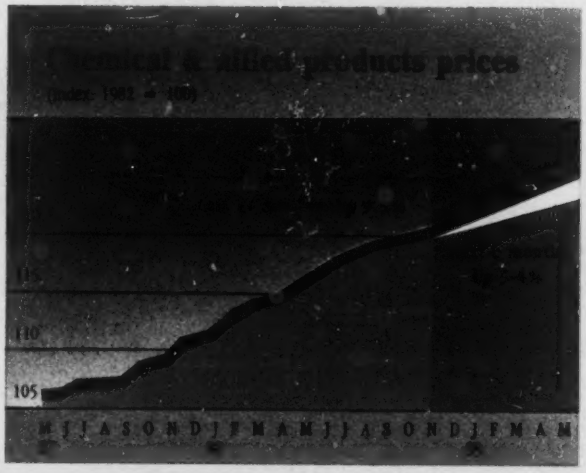
Chemicals still booming

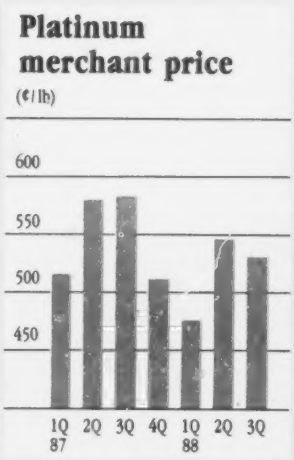
CURRENT SITUATION: Markets—bolstered by strong demand and relatively snug supplies—continue to boom. On the availability score, operating rates have jumped up into the 86%-plus range—four points above a year earlier. Prices have remained quite buoyant—with average quotes running a strong 9.5% ahead of a year earlier. **Zero in on the key organic sector—and year-to-year price boosts are a lot higher—something in the order of 18%.**

DEMAND: Total industry output this year looks to be up a solid 7%. More significant, buying has been strong across the board. On a major sector basis, these 1988 gains are currently being projected: Organic chemicals (8.5%), synthetic materials (6.5%), drugs (10.0%), and paints (3.0%).

SUPPLY: The tightness suggested by the current 86%-plus operating rate is spotty rather than across the board. Especially snug at this time are such aromatic chemicals as styrene, phenol and aniline. Some of the basic aliphatics (especially ethylene) are also sometimes hard to find—though there are some notable exceptions here like propylene and butadiene. As for inorganics, caustic remains the big problem—with tightness spilling over into competing soda ash. And in pigments, titanium dioxide continues on the short side. But relief is on the way. The industry this year plans on a 20% increase in capital spending.

PRICE OUTLOOK: Increases will persist—but at a somewhat slower pace than in recent quarters. In part, this will be due to somewhat improved supply-demand balance. But the recent sharp drop in oil should also act as a brake. Finally, margins for many products have now become ample enough that, while further increases may be attainable, they are no longer considered a priority.





Platinum market shortfall

The precious metal seems overdue for a rally. Prices could edge up 5% (into the $550/oz range) by early next year. Reason: This marks the fourth straight year of market shortfall. While worldwide supply increased to 3.3 million ounces this year, it was still not enough to meet an estimated 3.4 million-ounce consumption level. South Africa's three major producers (Impala, Rustenburg, and Western Platinum) have announced expansion plans—but most of this won't be happening until after 1990.

Urea demand to rise

Markets are becoming increasingly bullish in anticipation of sharply increased spring 1989 plantings. Other signs of strength: Close to capacity production, fairly low inventories, and significantly higher prices than a year ago. At latest report, the fertilizer was fetching $133-135/ton (Gulf, barge) and about $145-150/ton on the terminal level. And more hikes loom, with quotes as high as $160/ton anticipated by next spring. That should be it—anything higher would begin to attract imports from Europe.

Truck rate increases coming?

Some carriers are toying with another round of rate increases for January—with contemplated boosts said to run as high as 5%. If the increase takes place it would mark the third advance in just 10 months. Rates climbed 4% in April to reflect a Teamster wage boost and another 3.5% in June. True, discounts persist—but the level of rate shading has also tended to moderate in recent months.

Manmade fiber prices increase

A newly announced 9% increase in polyester staple—bringing the going price up into the 77-80¢/lb range—may not stick. Reason: Downstream fabric demand has been relatively soft in recent months. Other increases (including one on rayon staple) should be holding up a lot better. Another increase in nylon (as much as 10¢/lb) can't be ruled out by early next year.

Printed wiring boards in short supply

The combination of increased demand and relatively snug supplies is driving prices up. Transaction tags this year, according to a new WEFA Group estimate, should average about 4% more than in 1987—with the average quote put at near 26¢/unit. And an even bigger 7.5% increase is anticipated for next year—into the 28¢/unit range. WEFA also sees a gradual change in board demand—away from the single/double side mother/daughter card configuration and towards a multi-layer full-function one.

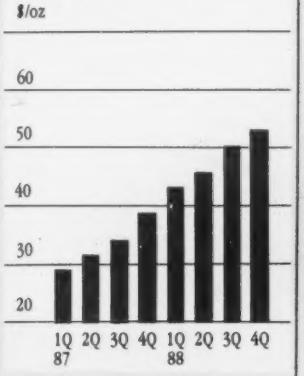
Zinc prices up but steady

Free-world year-to-date production is up some 5% *vis a vis* comparable 1987 levels. But because of a 4% increase in demand and net exports to the Socialist bloc, the metal is still in short supply. Upshot: Current quotes well over 70¢/lb remain a hefty 70% ahead of 1987 levels. And they're likely to remain firm into early 1989—if current high auto production (the key market) holds up.

Polyethylene resins going up

Removal of a 2¢/lb temporary allowance should

High-density polyethylene



push high-density polyethylene (HDPE) resins up into the 52-54¢/lb range. Markets remain strong—with the industry operating close to full capacity. Some modest relief lies ahead as more than 17% is added onto overall industry potential over the next two years. On the low-density (LDPE) front, producers are attempting to raise prices on certain extrusion coating resins and board coaters.

Disk drives in overcapacity

Overcapacity has dropped quotes anywhere from 20-50%. Example: The powerful 380 megabyte model now sells for only $900—down sharply from the $1,700 quote of last year. Behind all the easiness: Worldwide capacity is near 17 million units per year—but PC makers will probably buy only 14 million. The situation could continue, as PC demand gains slow down—from 17% this year to about 9% in 1989.

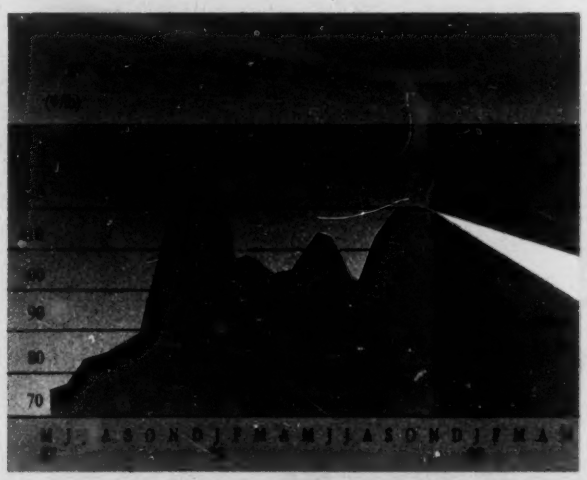
Copper prices confound experts

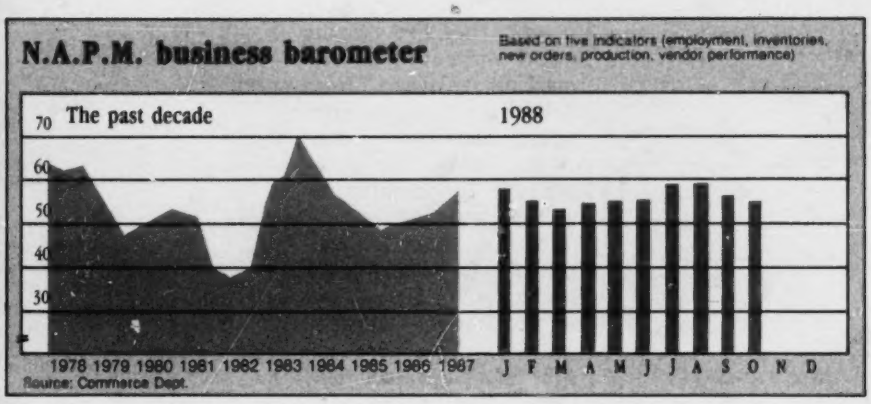
CURRENT SITUATION: The red metal continues to confound the experts. Instead of continuing to edge lower after the runup of late last year, **prices have again rallied.** The reasons aren't too hard to find. For one, inventories are at an all-time low. And more important, production is still lagging behind demand. Indeed, a number of North American producers have been forced to come into the cash market to meet commitments they had booked earlier.

DEMAND: Aggravating the situation is the fact that the fourth quarter is the metal's period of heaviest consumption. The booming capital equipment market is also adding to overall demand. **In all, it suggests that world refined deliveries (a proxy for consumption) will hit 3.252 million short tons this year**—about 78,000 tons above estimated global refined copper production.

SUPPLY: Current tightness could persist for a few more months. But there's light at the end of the tunnel. The next year, for example, is not likely to see as many work interruptions as this year. Then, too, capacity is beginning to rise. In the U.S. increased use of the low-cost solvent extraction-electrowinning method should boost output by about 50,000 tons in 1989. Add in other worldwide expansions (more than one million tons of new potential are due to come on stream by 1992)—**and a surplus could appear by next summer or fall.**

PRICE OUTLOOK: A further inching ahead can't be ruled out for the remainder of the year. But what goes up must come down. In any case, look for some leveling and maybe a few modest declines through spring as markets gradually come back into better balance. Lower production costs, reflecting new, more efficient mining techniques, should also help take some of the heat off prices. **By mid-spring the metal should be back down near $1/lb.**




N.A.P.M. business barometer
Based on five indicators (employment, inventories, new orders, production, vendor performance)
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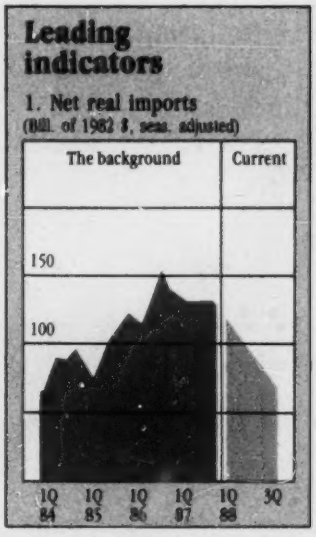
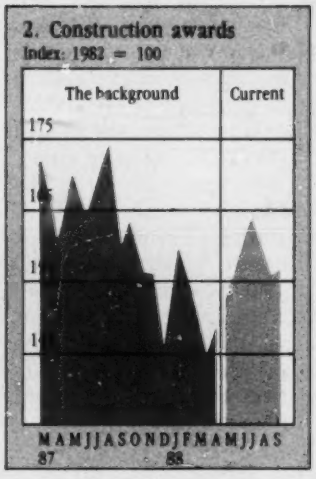
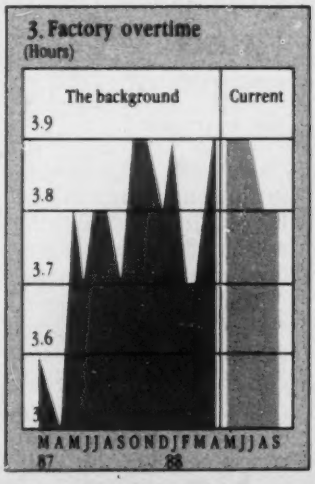
The past decade
1988
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987
J F M A M J J A S O N D
Source: Commerce Dept.







KEY ECONOMIC TRENDS

Plenty of momentum left

Figure on somewhat less ebullient growth over the next few quarters. But there's still enough momentum left to keep things in the plus column—for at least another six months and probably longer than that.

Lest there be any doubt on this score, take a look at the bellwether NAPM Business Barometer (see chart). The latest 54.8 reading is the lowest in six months, but the point to remember is that the drop-off has been quite modest—and more important, the figure remains well above the neutral 50 level. Implication: continuing production and sales gains ahead.

Another reassuring note: The still-positive picture signalled by more than 650 top manufacturing executives (see following story). In a nutshell, most are predicting continued near-term gains in orders, sales and profits.

The foreign trade outlook also has to be regarded as a basically positive sign. According to Robert J. Bretz, chairman of the NAPM Business Survey Committee, export orders which have fueled much of the recent expansion continue to advance.

Further confirmation of an improving trade picture can be gleaned from the chart on net real imports shown on the right. The figure at latest report had dropped to $75 billion at annual rate—half that noted just two years earlier.

This kind of improvement can't be underestimated. It means that U.S. factories are turning out some $75 billion more a year in real terms than they did in 1986—business that would otherwise have gone to foreigners (either in the form of lost export business or increased domestic purchases of overseas goods).

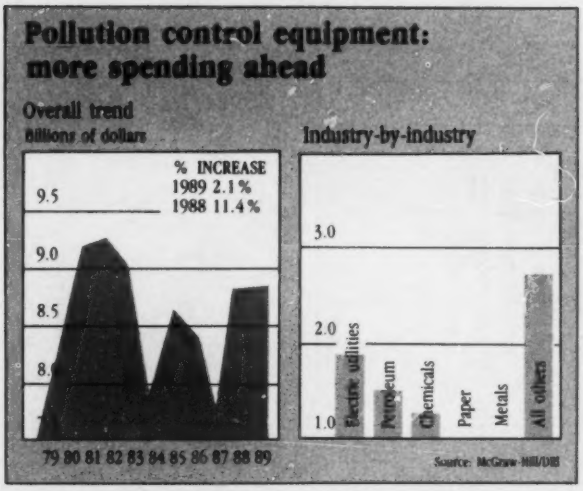
That's not to say that there aren't some weak spots. Construction, for one, is beginning to hurt from the impact of higher interest rates. Building awards (a precursor of future activity—see second chart, right) have slipped and are generally running considerably under year-ago levels.

The construction lull is further confirmed by the drop in building permits. They're off about 2% so far this year—with declines reported in more than half the nation's biggest cities.

Auto buyers also seem to be headed for a breather. As of now, Detroit pundits are predicting 1989 model year sales of about 9.5 million—down from the 10 million units of the model year just ended.

But there are compensating areas of strength. Thus, in addition to the trade trend noted above there is a strong surge in capital spending. The potential advances here show up best in the machine tool area where year-to-date order totals are now running more than 80% ahead of comparable 1987 levels. Employment, too, seems to be holding up well. The jobless rate is now only in the 5.5% range—with non-farm payrolls still on the increase.

Another sign of continuing strength in the labor



sector: factory overtime. It's now up in the 4.0 hour range—the highest such reading in years. It means that pressure to get goods out into the marketplace is as great as ever.

How much 1989 growth then? One estimate comes from a new survey by the National Association of Business Economists. They expect growth from 4Q 1988 to the 4Q 1989 to come to around 2%—not all that much under the 3.1% advance racked up over the 12-month period now ending.

More pollution control equipment to come

There's still a lot of anti-pollution gear to be bought—despite all the talk about reduced government rules and regulations.

This year, for example, American industry expects to shell out nearly $8.8 billion for this kind of basically non-productive equipment. The figure—culled from a new McGraw-Hill/DRI survey—represents a hefty 11.4% increase over 1987 levels.

These are current dollar figures, but even if you factor in a few percentage points for inflation, this represents a fairly substantial gain. It's also a lot more than suggested a year ago when preliminary estimates for 1988 pointed to only a 5.5% advance.

The projections for upcoming 1989 (now put at 2%) are also likely to be revised upward. For one, not all plans for that year have been finalized. Public concern over toxic waste and acid rain are also likely to add to overall totals in the months and quarters immediately ahead.

As might be expected, the biggest dollar amounts will be spent by the electric utility, chemical, and petroleum industries—with the paper and metal sectors coming in fourth and fifth, respectively.

The study also puts this spending into proper perspective—by expressing anti-pollution gear outlays as a percent of total capital spending. And once again most of the dollar leaders dominate. More to the point: The five sectors noted above will be earmarking anywhere from 6-9% for pollution control equipment—more than three times the less-than-2% figure noted for all U.S. industry.

Add in other environmental outlays (notably for health and safety)—and some of these industries will be spending more than 10% of their capital bills for non-productive gear. Examples: The combined pollution-safety-health percentages for the nonferrous and chemical industries this year are put at 13% and 12%, respectively.

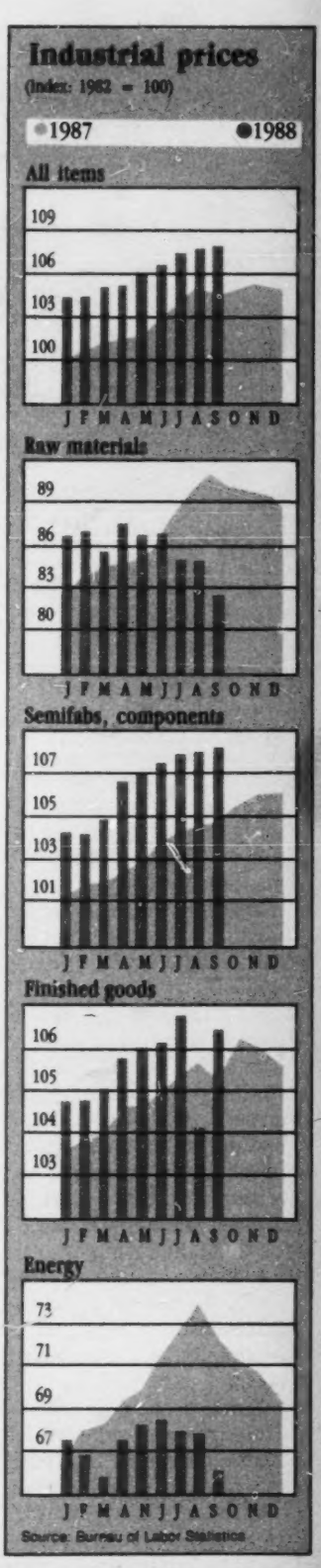
CURRENT PRICES

Energy gives prices a breather

Industrial producer price averages took a breather last month—actually racking up a 0.2% decline.

But hold off before breaking out the champagne. All of the improvement was due to a sharp drop in the energy sector. Remove this factor, and the slow price rise of other recent months showed no signs of ending.

Coming back to energy, the steep decline (2.7% over a 30-day period) was sparked by a big fall in crude petroleum. This apparently had a ripple effect—with softer tags spreading to a wide range of products, including gasoline, natural gas, home heating oil, liquid petroleum gas, and jet and diesel fuel. These more than offset small advances in



electricity and residual fuel.

Much more representative of the moderate upward trend were increases in chemicals. Boosts were reported in organics, inorganics, plastic resins and paint.

A similar pattern was observed in some component part areas. Thus aircraft engines and parts, motors and generators, and bearings all rose during the month.

The metal picture was more mixed. Aluminum, steel and most precious metals seem to be doing little more than marking time. But lead, zinc and copper all moved up—with the copper increase being rather substantial.

Also on the worrisome side was a fairly large 0.8% increase in capital equipment tags—probably reflecting a strong increase in demand.

This month's breakdown

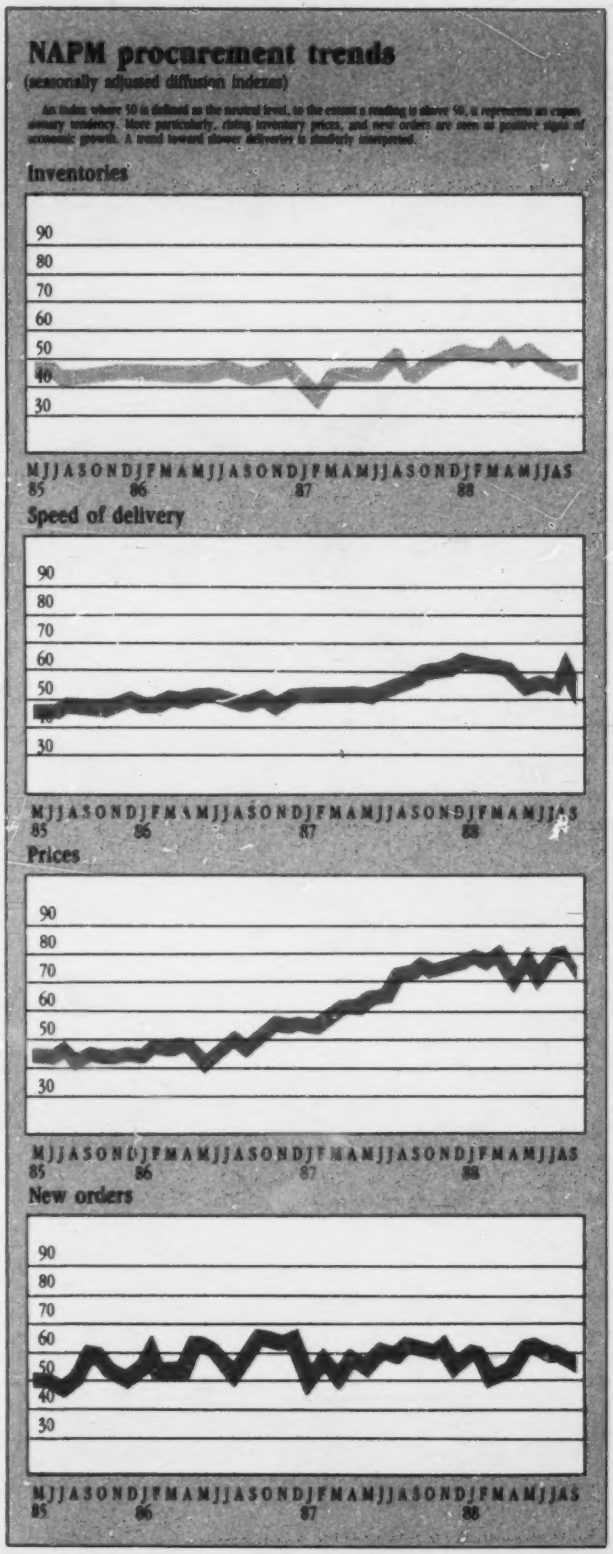
Index: 1982 = 100

	Latest level (Sept)	% change from: Month ago	Year ago
Bearings	117.7	4.1	8.9
Bolts, nuts, etc.	106.9	−0.1	3.6
Chemicals, inorganic	102.7	0.2	8.9
Chemicals, organic	112.3	0.2	18.1
Concrete products	109.9	−0.3	0.5
Corrugated cartons	111.6	0.4	8.8
Cutting tools, small	107.0	0.0	0.8
Electric lamps (bulbs)	122.9	0.6	0.2
Electronic components	118.1	−0.1	2.8
Fans and blowers	113.3	−0.1	2.3
Foundry and forge products	110.5	0.3	4.2
Fuel oil (residual)	40.4	2.0	−26.1
Furniture, commercial	125.8	0.6	5.6
Gasoline	57.5	−7.6	−5.9
Glass, flat	110.7	0.5	3.0
Glass containers	112.1	−0.1	−0.7
Gypsum products	110.7	2.5	−6.8
Hand tools	121.0	0.2	3.9
Hand tools, power driven	112.0	0.0	2.7
Industrial furnaces	122.0	0.4	6.6
Integrating and measuring instruments	114.2	0.0	0.4
Internal combustion engines	112.2	0.3	2.8
Lubricating oil	105.4	0.6	7.7
Lumber millwork	122.7	0.0	3.2
Material handling equipment	108.6	0.6	4.0
Metal containers	111.8	1.4	1.8
Metal mill shapes (nonferrous)	133.2	1.6	22.2
Metal tanks	106.6	0.0	9.2
Motors and generators	122.7	0.7	5.6
Motor trucks	120.1	−3.3	4.3
Office and store equipment	107.6	0.0	2.1
Paperboard	136.3	1.3	12.4
Paper boxes and shipping containers	125.6	0.6	7.4
Paper office supplies	116.5	1.0	7.9
Paint	113.3	0.4	4.1
Plastic resins	138.9	1.4	21.6
Precision measuring tools	121.4	0.0	4.3
Pumps and compressors	110.0	0.4	4.7
Refractories	114.3	0.3	3.1
Rubber belts and belting	108.2	0.9	4.8
Scales and balances	106.7	0.8	2.6
Steel products	112.0	0.1	9.4
Switchgear	113.3	−0.1	2.7
Textiles, synthetic fibers	98.7	0.9	7.4
Textiles, gray fabrics	114.7	−0.3	4.9
Tires and tubes	94.9	−0.8	4.2
Transformers and power regulators	108.6	−1.1	1.8
Welding equipment	119.0	0.5	7.2
Wire and cable	128.2	1.6	17.2

NAPM procurement trends

(seasonally adjusted diffusion indexes)

An index where 50 is defined as the neutral level, to the extent a reading is above 50, it represents an expansionary tendency. More particularly, rising inventory prices, and new orders are seen as positive signs of economic growth. A trend toward slower deliveries is similarly interpreted.


Inventories
90
80
70
60
50
40
30
M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
85
86
87
88
Speed of delivery
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80
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60
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40
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M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
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Prices
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M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
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New orders
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M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
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86
87
88

Is steel's bull market over?

The long bull market in steel may finally be coming to an end.

Only 4% of buyers responding to a new NAPM survey, for example, now anticipate a pickup in their current metal purchases over the next three months. That's the lowest figure in two years—and minuscule when compared to the 48% of respondents who contemplate a decline in their steel buys.

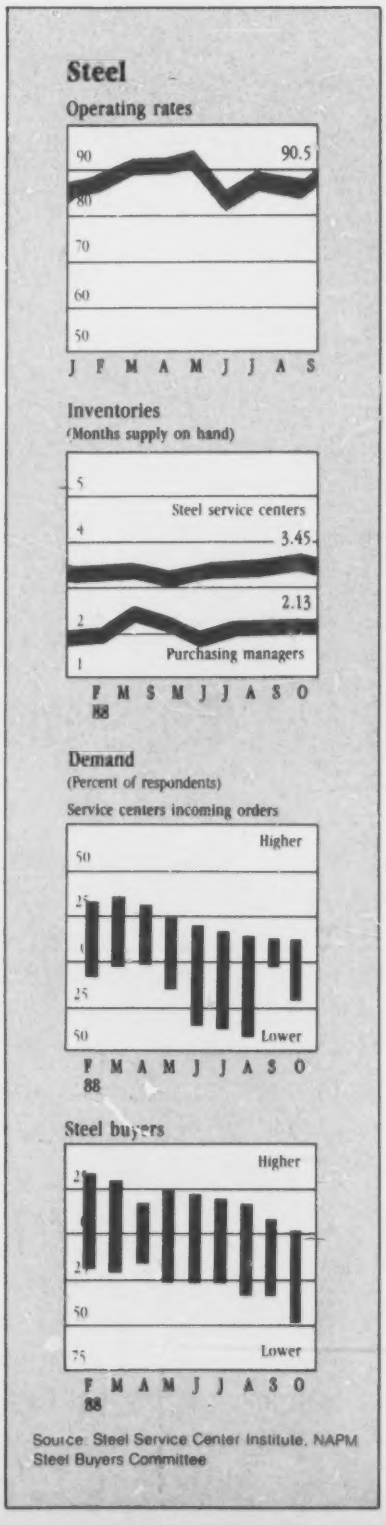
Distributors are also far from bullish—though the difference between those looking for a drop-off in orders (21%) and those hoping for an increase (16%) is somewhat less. But the figures here, repspresenting the results of the latest Steel Service Center Institute (SSCI) survey, can hardly be called optimistic since this marks the fifth straight month that negative forecasts have prevailed.

One of the really weak areas, according to SSCI president Andrew G. Sharkey, is plate. As he puts it, "Plate demand has leveled off. Mills have caught up and leadtimes and reduced availability are no longer problems." On the other hand, he adds that bar, tubing, stainless and alloy products continue to show strong year-to-year gains.

The SSCI survey also suggests that part of the current lackluster picture may be due to inventory retrenchment. Specifically, respondents believe stock levels are out of line with current demand, to the point where 63% (compared to 14% a year ago) feel that their steel tonnages are too high compared to shipments.

Buyers aren't all that satisfied with inventories either. Thus 55% want to cut stocks over the next six months—far outweighing the 4% who are still contemplating additions.

One reason for this buyer attitude, aside from still relatively high months' supply readings, is the fact that availability is no longer any problem. At latest report, buyers were worried only about four of the 10 product lines monitored each month by the NAPM committee.



Source: Steel Service Center Institute, NAPM Steel Buyers Committee

This is in sharp contrast to the first five months of the year when virtually all items were regularly being put on the "worry" list. Indeed, the only products that are receiving multiple mention these days are plate, bar and hot-rolled sheet.

Worry about hot-rolled sheet may also be exaggerated. Reason: Hot-rolled sheet prices on the distributor level have slipped in recent months —suggesting that things may be easing here, too.

While on the subject of prices, there are also signs that the strong general uptrend of the past year or so may be running out of steam. In any event, only 25% of service center respondents now expect price boosts over the next six months.

Equally significant, some 14% of those same distributors are now thinking in terms of price decline by early 1989. That's the biggest such percentage in years.

The improving supply and price outlook also could put a crimp in future imports.

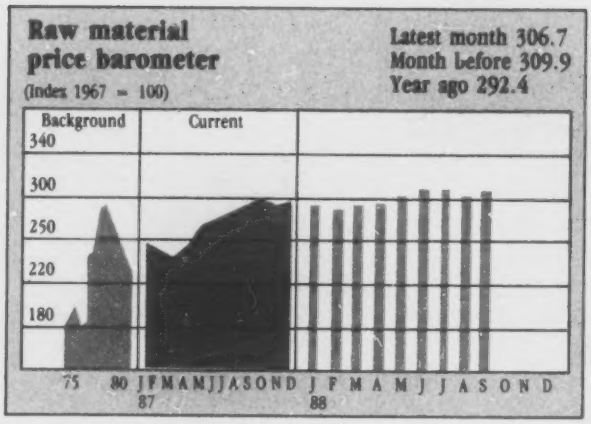
Another factor behind the import trend could be the continuing absence of overseas bargains. Most distributors and buyers say there's little advantage these days of opting for imports. ***PW***

Import prices
(compared to domestic)

Steel buyers

ABOVE 54%
SAME 27%
SLIGHTLY BELOW 19%
SUBSTANTIALLY BELOW 0%

Service centers (carbon)
ABOVE 2%
SAME 83%
5-10% BELOW 15%
10-20% BELOW 0%
OVER 20% BELOW 0%



LATEST SPOT MARKET PRICES

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	367.00	367.00	367.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	23.90	23.90	23.90
Steel, bars, dlvd. Phila., cwt., merchant quality	16.50	16.50	16.50
Steel, bars, Pitts., cwt.	16.50	16.50	16.50
Steel, bars, C.R., Pitts., cwt.	19.45	19.45	19.45
Steel, plates, Pitts., cwt.	22.75	22.75	19.75
Steel, plates, H.R., Pitts., cwt.	22.75	22.75	19.75
Steel, sheets, C.R., Detroit, cwt.	29.15	28.15	26.90
Steel, strip, C.R., Chi., cwt.	36.18	36.18	36.18
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	1.010	1.260	.835
Antimony, N.Y., dealer, lb.	1.05	1.05	1.12
Beryllium-copper, cost ingot, lb.	5.90	5.90	5.90
Brass, red, 85%, [sheet], lb.	1.88	1.71	1.50
Brass, yellow, [sheet], lb.	1.84	1.66	1.45
Cadmium, N.Y., dealer, lb.	6.20	7.20	2.25
Copper, electrolytic, wire bars, refd., lb.	1.25	1.07	.86
Copper sheet, over 24 in., lb.	1.97	1.79	1.59
Lead, common, N.Y., lb.	.40	.38	.42
Magnesium, pig ingot, [99.8%], lb.	1.58	1.58	1.53
Mercury, 20 fl. lots, N.Y., fl.	310.00	360.00	355.00
Molybdenum, oxide, dealer, lb.	3.49	3.48	2.92
Nickel, cathode, dealer, lb.	4.98	6.00	2.48
Platinum, dealer, oz.	520.00	528.00	567.00
Silver, N.Y., oz.	6.40	6.54	7.56
Tin, N.Y., dealer, lb.	3.36	3.49	3.15
Zinc, Prime West, East St. Louis, lb.	.69	.69	.42
Zinc, die casting alloy, No. 3, lb.	.775	.765	.475
PAPER			
Uncoated book #3 offset, ton	955.00	955.00	860.00
Watermarked bond, ton	1080.00	1080.00	985.00
Gummed sealing tape, carton	17.98	17.78	17.34
Grocery sacks, ton	460.00	460.00	410.00
Solid bleached paperboard, ton	685.00	685.00	620.00
Kraft linerboard, 42 lb., unbleached, ton	410.00	410.00	380.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	.276	.284	.246
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.20	1.20	1.24
Cotton middling, 1", N.Y., lb.	.505	.505	.654
Printcloth, 48", 60x80, N.Y., spot, yd.	.480	.500	.670
Army duck, 37", 13 oz., yd.	1.51	1.51	1.51
Blended printcloth, 64", 78x54, yd.	.66	.68	.95
20s combed yarns	1.96	1.96	2.03
Wool 64s, Staple, lb.	4.50	4.50	2.90

	Latest price	Previous month	Year ago
CHEMICALS			
Acrylonitrile, tanks, lb.	.360	.395	.395
Ammonia, anhydrous, tankcars, Gulf Coast, ton	91.00	91.00	105.00
Benzene, petroleum, tanks, Houston, gal.	1.18	1.08	.92
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	26.00
Cresylic acid [over 25%], tanks, lb.	.55	.55	.58
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	.106	.106	.106
Glycerine, synthetic, tanks, lb.	.735	.735	.810
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	.58	.58	.32
Naphthalene, crude, tanks, lb.	.22	.22	.22
Phthalic anhydride, tanks, lb.	.35	.35	.32
Polyethylene resin, low density liner film grade (market place), lb.	.515	.515	.345
Polypropylene, homopolymer grade (market price), lb.	.510	.525	.440
Polystyrene, general purpose grade (market price), lb.	.600	.600	.520
Polyvinyl chloride, pipe grade (market price), lb.	.440	.440	.365
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	.470	.450	.400
Sulfur, crude, ex-terminal, Tampa, Fla., lt.	132.00	132.00	127.50
Sulfuric acid, 66%, commercial, tanks, ton	66.86	66.86	66.86
Titanium dioxide, anatase, reg., carlots lb.	.950	.870	.800
Xylene tanks, gal.	1.00	.91	.75
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl	329.80	336.00	338.90
Lumber 2x2 pine, mbf, cl	314.70	318.45	334.45
Plywood, plyform, ¾", msf, cl	569.20	576.95	584.60
Plywood, ¾", msf, cl	387.70	388.35	391.00
Cement, bulk, ton, tl	64.42	65.48	63.73
Sand, ton, cl	7.16	7.47	7.14
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	48.41	49.01	49.13
Crushed stone, 1½", ton, cl	6.99	7.41	8.32
Concrete blocks, sand/gravel, 8"x8"x16", ea., tl	91.99	92.45	90.33
Gypsum sheathing, ½"x1"x8", msf, tl	228.43	228.43	228.46
Brick, common, per thousand, tl	229.22	229.22	198.26
Asphalt paving, AC-20	115.64	116.70	139.34
Concrete sewer pipe, 12", prem. joint, per foot, cl	7.22	6.98	7.50
FUELS			
Crude oil (W. Tex Int Cush), bbl.	14.10	14.25	19.75
Diesel (reseller rack, Chi), gal.	.388	.448	N.A.
Fuel oil No. 2 (N.Y.), gal.	.401	.421	.559
Fuel oil No. 2 (Gulf spot), gal.	.374	.405	N.A.
Fuel oil No. 6 (N.Y.) contract cargo, bbl.	15.00	16.00	N.A.
Gasoline (reg lded NY), gal.	.498	.465	.551
Gasoline (reg unlded NY), gal.	.478	.445	.539
Kerosene (reseller rack, Chi), gal.	.435	.493	N.A.
Propane (Mt. Belvieu, Tex), gal.	.198	.205	.265
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	117.00	117.00	114.00
Steel, No. 1 hvy., dlvd., Chi., ton	115.00	115.00	115.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	1.060	.920	.785
Copper, No. 2, East, wholesale buy, dlvd., lb.	.925	.830	.700
Brass, red, East, wholesale buy, dlvd., lb.	1.020	.880	.745
Brass, yellow, East, wholesale buy, dlvd., lb.	.470	.470	.365
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	.610	.665	.510
Alum., mixed clip., E., wholesale buy, dlvd., lb.	.700	.750	.575
Zinc, old, East, wholesale buy, dlvd., lb.	.240	.240	.200
Lead, clean solids, East, wholesale buy, dlvd., lb.	.245	.225	.275
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	20.00	25.00	35.00
Paper, old corrug. box, dlr., N.Y., ton	5.00	5.00	20.00
Old newspapers, Chi., ton	5.00	10.00	N.A.
Old white ledger, Chi., ton	85.00	85.00	N.A.

[Sources: Metals Week, American Metal Market, Engineering News-Record (20-city averages), The Wall Street Journal, Journal of Commerce, Chemical Marketing Reporter.]